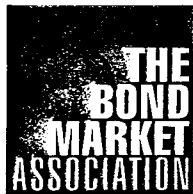


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February 27, 2001



The Honorable John D. Dingell  
Ranking Member  
Committee on Energy and Commerce  
House of Representatives  
Congress of the United States  
Washington D.C. 20515

Re: Information Requested in Your Letter Dated January 29, 2001

Dear Representative Dingell:

This letter is in response to your letter dated January 29, 2001 addressed to the Honorable Arthur Levitt, Jr., Mr. Robert Glauber and myself concerning the NASD's "TRACE" system.

As a threshold matter, I join you in commending the SEC's approval of the NASD's recently revised rule on corporate bond trade reporting, as well as the NASD's hard work to bring its system into fruition. The Bond Market Association (the "Association") believes that the revised rule will significantly promote the goal of enhancing transparency in the corporate bond market. This goal is one that the Association has strongly shared in common with the SEC and the NASD. The Association also supports the rule revisions made by the NASD and approved by the SEC because we believe that these revisions represent a reasonable response to the issues raised by the Association and its member firms concerning the rule as originally proposed. As we have stated publicly in the past, the rule as revised and now approved is a solid basis on which to achieve corporate bond price transparency going forward. Many implementation steps will need to be taken. The Association looks forward to continuing to work with the SEC and the NASD through the implementation phase of the rule.

I have set forth below our responses to the specific questions raised in your letter:

1. **"What is the status of TBMA's efforts in general and, in particular, what is the status of Corporate Trades I?"**

In general, the Association has supported the NASD's efforts to create a corporate bond trade reporting and dissemination system that achieves the goal of enhancing transparency in a fashion that will not harm liquidity in this market. The Association has worked with the NASD over the last nine months, through a series of discussions and meetings, to make suggestions concerning the treatment of liquidity, governance



and operational issues. Many of these suggestions have been incorporated into the final rule and, we believe, will help to create a stronger and better system for corporate bond price transparency.

Corporate Trades I began its existence in June 1999 and continues to function today. This system provides information concerning transactions in investment grade corporate bonds that are effected through and reported by inter-dealer brokers. This information is displayed on [www.investinginbonds.com](http://www.investinginbonds.com), which is a Web site sponsored by the Association, and is accessible for free to whoever wishes to view the information.

As you know, the Association is a trade association and not a self-regulatory organization. Therefore, the initiative represented by Corporate Trades I is voluntary in nature, which means that Corporate Trades I does not purport to be comprehensive in the scope of transactions that are reported and displayed on this system. However, we believe that Corporate Trades I has provided information that would not otherwise have been available to investors in the corporate bond market. This initiative continues to serve an important informational need until the comprehensive trade reporting system that is represented by the NASD's "TRACE" system is ready to go into operation. We are in the process of reviewing the continuing utility of Corporate Trades I once comprehensive trade reporting begins under the NASD's system.

2. **"Please identify each of these [alternative trading] systems, what categories of debt they cover, and the extent to which they are accessible by individual investors."**

The Association conducts an annual survey of alternative trading systems ("ATS's") entitled "eCommerce in the Fixed Income Markets: Review of Electronic Transaction Systems for Fixed Income Markets," which is posted on the Association's Web site, [www.bondmarkets.com](http://www.bondmarkets.com). This survey is accessible to the public.

The most recent survey dated November 6, 2000 (print version attached) catalogs and describes all systems that allow dealers or institutional investors to buy or sell bonds electronically. Therefore, by its own terms, this survey does not cover systems that would permit individual investors to buy and sell bonds. In this regard, I would note that the corporate bond market is predominantly institutional in nature at this point in time. The most recent survey mentions that it may incorporate "retail-focused systems" in the future.

With regard to the systems that are covered in the survey, a grid sets forth the fixed income securities covered by each ATS, the system type (auction, cross matching, multi-dealer, etc.) and the way in which each ATS may be accessed. In addition, the survey includes a brief narrative description of each system. The survey does not include any of the "liquidity, pricing, and execution characteristics" alluded to in your

letter. Answers to this question could best be provided by the ATS's themselves, since the Association does not have ready access to this information.

The last question contained in your letter concerned a report that the New York Stock Exchange was considering the sale of its bond trading exchange. Because this question relates to a NYSE initiative, I am not the best person to respond and respectfully refer you to the NYSE for further information on this matter.

I hope that this letter provides satisfactory responses to your questions. Please do not hesitate to contact me if you need further information.

Sincerely,



Heather L. Ruth  
President  
The Bond Market Association

cc: The Honorable W.J. "Billy" Tauzin  
Chairman  
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